

BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE  
FOR THE STATE OF TENNESSEE

|                          |   |             |
|--------------------------|---|-------------|
| IN THE MATTER OF:        | ) |             |
|                          | ) | No.: 04-104 |
| DIRECT INSURANCE COMPANY | ) |             |

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ORDER ADOPTING EXAMINATION REPORT AS FILED WITH DIRECTIVES

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Pursuant to Tenn. Code Ann. §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the “Division”) has examined certain affairs of Direct Insurance Company (hereinafter also referred to as the “Company”), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31<sup>st</sup> day of December, 2003, the examiner-in-charge filed with the Division, on the 17<sup>th</sup> day of August, 2004, a verified, written report on examination, and a copy of that report has been sent to Direct Insurance Company. (The Market Conduct Examination Report of the Property and Casualty Business of Direct Insurance Company is attached hereto and marked as Exhibit A). The Division received written rebuttal to said examination report from the company on September 22, 2004. (A true and exact copy of the rebuttal to the examination report of Direct Insurance Company is attached hereto and marked as Exhibit B.)

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of Direct Insurance Company, filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 17<sup>th</sup> day August, 2004, is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

1. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-11-206(a)(2) by notifying the Commissioner in writing of its intention to enter into any transactions listed under § 56-11-206(a)(2) at least thirty (30) days prior to doing so, so as to allow the Commissioner to review such transactions and determine whether or not to disapprove them. The Company is further **DIRECTED** to file all transactions listed under Tenn. Code Ann. § 56-11-206(a)(2) which have not been filed with the Commissioner prior to this examination for her review and determination as to whether or not to disapprove them

2. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-5-305 by filing all rates with the Commissioner at least thirty (30) days before the proposed effective date of such rates. The filing of such rates includes, but is not limited to, the filing of any fees collected in connection with the sale of insurance including, but not limited to, fees for motor vehicle reports ("MVR"s).

The Company is further **DIRECTED** to comply with Tenn. Code Ann. § 56-8-104(8) by not paying as an inducement to the sale of any insurance contract any rebate of premiums payable on the contract or any valuable consideration or inducement whatsoever not specified in the contract. Such includes, but is not limited to, the rebating of MVR fees to policyholders.

3. The Company is **DIRECTED** to comply with Tenn. Code Ann. §§ 56-6-115 and 56-6-117 by notifying the Commissioner of all of its appointments and termination of appointments and paying the requisite fees associated with such activity on a timely basis. The Company is further **DIRECTED** to conduct an audit of the Company spanning the period from January 1, 2002 to the present day in order to determine whether the records of the Company's appointments on file with the Division are accurate and if it has failed to pay

fees that might be due to the Division. Should it be found that such fees are due to the Division, the Company is **DIRECTED** to pay any appropriate appointment or termination of appointment fees that might be owed to the Division.

4. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-53-111(b)(1)(A) by including appropriate fraud warning statements on all claim forms.

The company shall comply with the directives contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Direct Insurance Company for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report as Filed With Directives merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

**ENTERED** this the 25<sup>th</sup> day of October, 2004.

Paula A. Flowers

Paula A. Flowers, Commissioner  
Department of Commerce and Insurance  
State of Tennessee

**PREPARED FOR ENTRY:**

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, and Don Spann, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Direct Insurance Company, 1281 Murfreesboro Road, Nashville, Tennessee 37217, on this the 26<sup>th</sup> day of October, 2004.

Eric J. Stansell

Eric J. Stansell

Certifying Attorney